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Training/Incentives/Meetings for Sales Team Leaders

Feature Story

Remarkable Rewards, Extraordinary Results!

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How to motivate high-salaried salespeople

In retrospect, it makes perfect sense, but Tim Houlihan, Vice President of Reward Systems at Minneapolis-based BI, recalls being initially surprised when his company was hired by Barneys New York to oversee an incentive program for sales associates. Many of the sales floor employees at the famous upscale department store chain are well-off.

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"They aren't working at Barneys for the money. They're working there for discounts and the access to stuff," Houlihan says. He knew instantly that the incentive program would be successful. Participants earned points for selling specific brands and could redeem those points for high-end merchandise. "It had nothing to do with money. They didn't need more money," he says.

It's a good bet that high-earning sales reps on your team are in a similar situation. Many companies assume that salespeople making six-figure salaries are driven by money and will respond best to cash incentives. Houlihan respectfully disagrees.

"I don't doubt that more cash will get more performance, but how much more? The really big changes in performance come when you offer something other than money," he says.

Lock in on luxury

Why does a $2,000 gas grill motivate a top-performing salesperson more than a $2,000 bonus? Two words: hedonic luxuries.

As reported in our cover story last fall ("Why Cash Incentives Fail" is available on our Web site), people are hesitant to spend money on non-essentials even if they earn a substantial income. Behavioral economists have long known that consumers often experience an immediate "pain of paying," which can weaken the pleasure derived from consumption or discourage purchases altogether.

BI creates incentive programs for companies worldwide. Less than 1 percent of participants earn $5,000 or more in AwardperQs points, but the overarching concept of motivating with luxuries works across the board.

"We're all hardwired the same," says Houlihan. "No matter how much you make, there's something that everybody wants that they won't buy for themselves."

Incentive pay earned for hitting a predetermined quota typically is lumped in with overall salary and used to pay bills or stuffed into savings accounts. There's little "halo value" to the award, which explains why, in Houlihan's words, cash can only buy a certain amount of extra effort.

Indeed, research by Ran Kivetz, a professor of marketing at Columbia University Graduate School of Business, shows that a significant number of people (as much as 39 percent) will "precommit" to indulgence by selecting a luxury item as a reward over a cash amount of equal or greater value. It makes sense, many incentive experts argue, to lock your program participants into the luxury category and not provide a cash option.

"People are willing to work harder for hedonic luxuries," Kivetz says. "When they start thinking about dollars, they become more rational, more economical and less willing to work for it."

CANON'S 12X36 IS II BINOCULARS WITH 12X MAGNIFICATION AND CANON'S EXCLUSIVE IMAGE STABILIZER TECHNOLOGY

Energized by Exclusivity

Some sales managers settle for cash incentives because they figure they can't select what will motivate their high earners. Tim Houlihan says they've got it half right. You can't predict what energizes each salesperson, but it's unlikely to be more money.

"If you're a mortgage banker on Wall Street, I'm not going to be able to pick an item for you that you're necessarily going to want. But I can show you a whole basket of luxuries and something is bound to spark your interest," he says.

Initially, clients are concerned that their high-salaried salespeople won't find that basket of awards motivating. Oftentimes, Houlihan counters, it's not the dollar value of incentives offered through programs, but rather their exclusivity. One company took its top-gun salespeople to fly MiGs over Moscow; others have provided award-winners private audiences with celebrities or behind-the-scenes tours they couldn't experience on their own.

MiGs over Moscow and other exclusive awards

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3 Things to Remember

Some people *like* Yanni.

There's no accounting for taste, so avoid the one-reward-fits-all approach. BI Senior Vice President John Jack's favorite answer to the riddle, why did the chicken cross the road? Only the chicken knows.

Experiences can't be duplicated.

Travel is a popular incentive for high earners because it's the ultimate indulgence. Houlihan says travel is often thought of as "more savoring." Be sure to provide something more than tickets to a destination, however. Create an experience that can't be duplicated.

Don't drag it out.

A tendency when using expensive rewards is to lengthen the incentive program's time frame. That's a mistake, says Houlihan. The trip to Maui for top performers at the end of the year is more recognition rather than incentive. "It's hard to keep people engaged in something for a full year. Very few people in our society pursue long-term goals." Allowing participants to accrue points from several three-month programs will produce better results.

CANON 6-MEGAPIXEL POWER SHOT SD 700 IS DIGITAL ELPH

Medtronic Knows How To Pamper Its Stars

Count Medtronic, a world leader in medical technology, among those companies that prefer to reward top-performing, high-salaried salespeople with merchandise and travel rather than cash.

"Participants actually like it better than cash and it doesn't conflict with our compensation program," says Jane Kopp Houlihan, a sales analyst at the Minneapolis-based FORTUNE 500 Company. She is responsible for setting sales quotas, completing revenue trend analyses, and overseeing sales incentive efforts for more than 100 highly compensated sales reps. Medtronic has used BI's AwardperQs program to motivate top performers for the past three years.

The company's compensation director told Houlihan in a note that at least 10 sales reps approached him at a recent conference to express how much they enjoyed the AwardperQs program.

Medtronic also has awarded a top salesperson a $1,500 HDTV, a $20,000 Harley Davidson bike and numerous trips. They also have held drawings for a Harley Davidson and HDTVs. "The drawings create a lot of enthusiasm and excitement, but the downside of a drawing is that someone with only one ticket can win the big prize while the hard-working rep with 30 tickets can go home with nothing."

What's My Motivation?

Don't over-think the reward. Most top performers are self-driven.

"When I've had the opportunity to run focus groups for high-earning salespeople, so much of what motivates them is the challenge itself and the recognition of being No. 1 when the competition is stiff," says Tim Houlihan of BI.

"I remember one guy asking how high the goals in a program would be? 'How high do you think they need to be?' I asked. He said he's typically at 120 percent of quota. 'Whatever the top level is, I'm going for it.'

"When he said that, I immediately knew that he is a guy who competes against himself. He just wants to be challenged. It's sad to say, but it really wasn't about the rewards at all. It was all about his intrinsic motivation. But if he could connect his own personal goal to achieve something above and beyond with a lifestyle item that he couldn't afford or wouldn't afford, it would be icing on the cake."

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